

## Condo Smarts

Headline: Liquidating a strata – Part 2

Topic: Buying & Selling; Liquidation

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**Dear Tony:** Thank you for the previous column on depreciation reports and liquidation. Our strata of 45 units in Burnaby is in the process of discussing liquidation as an option. It isn't because our building is in bad shape or needs major repairs, but we are in an area where there is plenty of development and before long we'll be the only building left unchanged. Everyone on council has a different idea on where to start. Is there some sort of checklist we can follow?

*Colin M.*

**Dear Colin:** It is important to remember who council is acting for: the owners. Owners are entitled to the best price and the best terms for their property before they consider selling. To reach this objective, a logical sequence is necessary for the strata corporation to follow. Your success will require many information meetings and constant communication with your owners to prepare them for the vote and the emotional liquidation of their community. To begin, the strata owners will vote by at least a majority vote to give council authority and direction to start the process of investigating the option of selling the strata, and to retain an independent lawyer who acts solely for the strata throughout the process. The council will invite brokers to provide them with proposals on the marketing of the property with negotiable fees generally from 1-2% of the total sale. Once council have chosen a broker and completed a legal review of the contract, the broker proceeds with marketing the property. Developers and land speculators will be invited to assess the property, and submit offers. The offers may take into consider location, expanded development opportunity, transit and community access, neighbouring developments and amenities and the overall potential for the site. This phase usually takes 3-6 months.

When the broker finalizes a short list of 3-5 offers, the strata council and their lawyer meet, consider the offers and perhaps counter offer or consider terms and conditions of an offer, subject to the approval of the owners at a general meeting. Once the final offer is approved in principle the complicated work begins all in preparation of a general meeting of the owners to vote on the proposal. Around months 6-12 the final negotiation of the purchase conditions and price are completed and the strata's lawyer will prepare the 80% vote resolution that authorizes the liquidation, authorizes the court application to ratify the decision, and to appoint the liquidator who will be responsible for the receipt of the money from the developer, the cancellation of each of your titles into one parcel of land, and the payout to each owner, their share of the proceeds after any charges on their property. The resolution that the owners will vote on and the sequencing of the events is the most critical part of the transaction. You can easily expect a resolution that is 5-20 pages in length because the resolution must include all of the terms and conditions of the contracts, agreements, court applications, liquidation procedures and transfer of funds. One quirk of the liquidation process is owners who require their proceeds to make another purchase will have to wait until the job of the liquidator is complete before they can shop for a new home. To provide time for owners to move and relocate, the strata negotiates 60-120 days of occupancy after the completion of the liquidation, as part of the contract. If all goes well, plan on 12-18 months.